

Message Text

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54 64

ACTION EUR-25

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5690

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION OECD PARIS UNN

C O N F I D E N T I A L EC BRUSSELS 5012

C O R R E C T E D C O P Y (INFO ADDRESSEE AMEMBASSY BRUSSELS
VICE AMEMBASSY UNN)

E. O. 11652: GDS

TAGS: ENRG, EEC

SUBJECT: PETROLEUM MEETING BETWEEN GEORGE BENNSKY AND EC
COMMISSION VICE PRESIDENT HENRI SIMONET

1. SUMMARY. GEORGE BENNSKY, DIRECTOR, OFFICE OF FUELS AND
ENERGY, AND CHARGE MET ON SEPTEMBER 3 WITH EC COMMISSION VICE
PRESIDENT HENRI SIMONET, WHO IS RESPONSIBLE FOR THE COMMUNITY'S
ENERGY POLICY. SIMONET GAVE HIS VIEWS ON THE LIBYAN NATIONALIZA-
TION, THE EC'S ENERGY POLICY, INCLUDING RELATIONS BETWEEN EUROPE
AND PRODUCING GOVERNMENTS, AND THE SHARING OF PETROLEUM IN EMER-
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GENCIES WHICH IS BEING STUDIED BY AN OECD WORKING PARTY. END

SUMMARY.

2. LIBYAN NATIONALIZATION. BENNSKY ASKED WHAT SMONET THOUGHT THE ATTITUDE OF THE EUROPEANS WOULD BE REGARDING THE 51PERCENT LIBYAN OIL NATIONALIZATION THAT HAD TAKEN PLACE SEPTEMBER 1. SIMONET REPLIED THAT HE COULD NOT SAY FOR SURE SINCE HE HAD NOT BEEN ABLE TO TALK YET WITH MEMBER STATES BUT THAT HE WAS GOING TO VISIT THE ITALIANS THIS WEEK AS THEY APPEARED MOST PRONE TO TAKE HOT OIL AND OTHER WISE TO SEE THIS AS AN OPPORTUNITY TO GET VALUABLE LIBYAN CRUDE. HE ALSO SAID HE WAS GOING TO TALK TO THE FRENCH WHO MIGHT HAVE SOME OF THE SAME TENDENCIES. HE SAID THAT HE HAD SOME INDICATIONS THAT SOME OFFICIALS IN THESE GOVERNMENTS MIGHT BE THINKING OF MAKING ARRANGEMENTS WITH LIBYA. HE THOUGHT IT WOULD BE A MISTAKE FOR THEM TO DO ANYTHING ALONG THESE LINES AND PLANNED TO TELL THEM SO. SIMONET THOUGH THE GERMANS WOULD REFRAIN FROM JUMPING INTO LIBYA AND WOULD BE RESPONSIVE TO US VIEWS. HE FELT THERE WAS MERIT IN THE STRONG POSITION OF THE MAJOR INTERNATIONAL OIL COMPANIED NOT TO GIVE IN, EVEN AT THE RISK OF LOSING THEIR CONCESSION. HE THOUGHT THE LOSS OF THIS OIL COULD BE MADE UP AND/OR ACCOMMODATED FOR WITHOUT RECOURSE TO THE OECD-EUROPEAN EMERGENCY SHARING MANAGEMENT.

3. COMMON ENERGY POLICY. THE DISCUSSION OF LIBYA LED SIMONET TO HIS KEY EFFORT IN THE EC, THE ESTABLISHMENT OF A COMMON ENERGY POLICY. HE SAID THAT WHEN HE IS IN ITALY AND FRANCE HE WILL USE LIBYAN TAKEOVERS TO UNDERLINE THE BASIC IMPORTANCE OF ACHIEVING COMMON ENERGY POLICIES. HE ADDED THAT HE ALSO PLANNED TO ASK THE DANISH PRESIDENT OF THE EC COUNCIL TO SCHEDULE A MEETING OF THE COUNCIL TO DISCUSS ENERGY POLICY. HE SAID LIBYA PROVIDED A CHALLENGE AND AN OPPORTUNITY TO OVERCOME CURRENT NATIONAL RELUCTANCE TO REACHING A COMMON EC POLICY ON ENERGY AND ESTABLISHING THE COOPERATIVE RELATIONSHIPS REQUIRED WITH THE US AND JAPAN. IT WAS IMPORTANT THAT REAL PROGRESS BE DEMONSTRATED SOON OR THE INDIVIDUAL MEMBER COUNTRIES WOULD BEGIN TO MAKE THEIR OWN ARRANGEMENTS WITH OIL-PRODUCING GOVERNMENTS. AS AN INDICATOR, HE SAID IT WAS HIS IMPRESSION THAT THE GERMAN ATTITUDE HAD CHANGED IN THE PAST FEW MONTHS--I. E., WHILE THEY ARE STILL READY TO PLAY THEIR COMMON EUROPEAN CARD, IF THE OTHER WILL PLAY THEIRS ALSO, THEY ARE BEGINNING THROUGH IRANIAN CONTACTS AND INTERNAL MARKET

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REORGANIZATION TO GET READY FOR THE BILATERAL ROUTE, SHOULD THIS PROVE NECESSARY. SIMONET CONCLUDED THAT IF THE GERMANS, WHO ARE AMONG THE STRONGEST FOR UNITED POLICIES, WENT THEIR OWN WAY IN ENERGY THEY WOULD GO THE SAME ROUTE IN OTHER FIELDS. SUCH DEVELOPMENTS WOULD BE VERY DENGZROUS FOR THE COMMUNITY.

4. OIL SHARING STUDY. BENNSKY FILLED SIMONET IN ON THE PROGRESS OF THE OECD WORKING PARTY ON OIL SHARING, WHICH HAD JUST CON-

CLUDED ITS SECOND SESSION IN PARIS, DRAWING HIS ATTENTION TO THE GAP STILL REMAINING BETWEEN THE OVERSEAS TRADE AND THE CONSUMPTION BASES FOR THE SHARING ARRANGEMENT. SIMONET RESPONDED THAT FIRST EACH OF THE OECD MEMBERS HAS TO DECIDE AT A HIGH POLITICAL LEVEL THAT IT IS IN ITS NATIONAL INTEREST TO BE A PARTY TO AN ARRANGEMENT FOR DIVIDING IN AN ORDERLY AND FAIR MANNER THE OIL REMAINING DURING A TIME OF SIGNIFICANT SHORTAGE AND CONVERSELY THAT IT WOULD BE DETREMENTAL TO ITS NATIONAL INTEREST TO HAVE NO AGREEMENT AND A SCRABLE SITUATION THAT WOULD JEOPARDIZE OTHER IMPORTANT RELATIONS AND ARRANGEMENTS. AFTER THIS DETERMINATION, THERE SHOULD BE MUCH LESS OF A PROBLEM IN ARRIVING AT AN ACCEPTABLE MATHEMATICAL FORMULA. BENNSKY ASKED SIMONET HOW MUCH TIME HE THOUGHT WE HAVE TO REACH AN AGREEMENT ON SHARING. SIMONET SAID THAT IF WE DO NOT ARRIVE AT AN ARRANGEMENT BY THE END OF THE YEAR AND IF EUROPE AND THE US HAVE A COLD WINTER, THERE COULD WELL BE A SERIOUS CRISIS INSIDE EUROPE WITH EACH COUNTRY GOING ITS OWN WAY TO TAKE CARE OF ITS ENERGY REQUIREMENTS.

5. EUROPEAN COOPERATION WITH PRODUCING GOVERNMENTS. BENNSKY ASKED SIMONET FOR HIS RATIONALE RE THAT ASPECT OF THE COMMISSION'S PROPOSED COMMON ENERGY POLICY WHICH CALLS FOR BILATERAL ARRANGEMENTS BETWEEN THE EC AND OIL-PRODUCING GOVERNMENTS. IN PARTICULAR, HE WAS INTERESTED IN HEARING WHY THIS WAS DIFFERENT FROM THE PREFERENTIAL BILATERALS THAT WERE OF CONCERN TO THE USG. SIMONET REPLIED THAT IN SELLING THE IDEA OF A COMMON EC POLICY AND COOPERATION WITH OTHER CONSUMING COUNTRIES TO CERTAIN MEMBER STATES IT IS NECESSARY ALSO TO ESTABLISH PROSPECTS FOR COOPERATION WITH OIL-PRODUCING STATES. THIS WAS BASED ON SOME MEMBERS' FEARS OF THE CONSEQUENCES OF PRODUCERS THINKING THE CONSUMERS WERE ORGANIZING AGAINST THEM. ALSO, AND OF EQUAL OR MORE IMPORTANCE, THERE WAS A NEED TO SHOW THE PRODUCES THE ECONOMIC ADVANTAGES OF COOPERATING WITH THEIR MAJOR
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CONSUMERS. IT WOULD BE BETTER TO DO THIS ON A COORDINATED EC BASIS AND THUS LIMIT THE POSSIBILITIES OF PREFERENTIAL NATIONAL BILATERALS THAT DID NOT RESULT IN THE EXPANDED PRODUCTION REQUIRED.
HARTMAN

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